

October 2001



North Dakota REV-E-NEWS

**From Rod Backman, Director
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After the first three months into the biennium, revenue collections are \$2.3 million short of projections. Next month we should begin to get a preliminary idea of the effects of the terrorist attacks on general fund revenues.

Economy.com still believes that aside from the output lost due to the physical disruption to the economy, the most significant economic fallout from the terrorist attacks is that it has shaken confidence, which is now the lowest it has been in six years. The erosion in confidence would have likely been even more substantial if not for the aggressive actions by the Federal Reserve Board.

Congress and the administration have agreed to \$55 billion in aid, \$20 billion will be used to rebuild New York and another \$20 billion to beef up security and pay for various military activities. The remaining \$15 billion will go to the airline industry. In addition, congress and the administration are considering a wide range of measures to support the struggling economy, the total cost of which could be between \$50 and \$75 billion. The largest component of this package would most likely be a temporary cut

in payroll taxes. A large share of the benefits of a payroll tax cut would go to lower income households.

Economy.com expects the economy to contract through the end of the year even under the most optimistic of assumptions. It is possible we could see real gross domestic product (GDP) decline in both the third and fourth quarters of this year.

The national recession is expected to end early next year due to the aggressive response of policymakers. Before the year is over, the Federal Reserve is expected to lower the federal funds rate target one more time; Congress and the administration will appropriate at least an additional \$50 billion in additional spending.

According to the National Association of State Budget Officers, North Dakota is one of only 11 states not experiencing a budget shortfall in fiscal year 2002. In addition, according to Economy.com, North Dakota was one of only 14 states that was not in a recession as of September 10, 2001.

Have a safe Halloween!!

Oil Activity

Oil production in July averaged 86,248 barrels per day, which compares to 90,715 projected for that month. The current price of oil is in the range of \$16 per barrel, which

compares to a projected price of \$22.39.

Currently, North Dakota has 18 oil rigs drilling compared to 21 one year ago.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to March 2001 Legislative Forecast
2001-03 BIENNIUM
SEPTEMBER 2001

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	2001 Legislative Forecast	Actual	Variance	Percent	2001 Legislative Forecast	Actual	Variance	Percent
Sales Tax	20,614,000.00	\$ 17,878,655.13	\$ (2,735,344.87)	-13.3%	\$ 70,102,000.00	\$ 71,040,410.64	\$ 938,410.64	1.3%
Motor Vehicle Excise Tax	5,168,000.00	4,730,794.08	(437,205.92)	-8.5%	14,769,000.00	14,710,647.14	(58,352.86)	-0.4%
Individual Income Tax	11,509,000.00	10,915,040.67	(593,959.33)	-5.2%	46,447,000.00	43,681,004.78	(2,765,995.22)	-6.0%
Corporate Income Tax		90,483.05	90,483.05	100.0%		169,992.47	169,992.47	100.0%
Insurance Premium Tax	200,000.00	659,983.87	459,983.87	230.0%	1,236,000.00	2,191,459.42	955,459.42	100.0%
Financial Insitutions Tax		55,777.00	55,777.00	100.0%		182,548.00	182,548.00	100.0%
Oil & Gas Production Tax	2,019,000.00	812,227.51	(1,206,772.49)	-59.8%	5,857,000.00	4,771,946.16	(1,085,053.84)	-18.5%
Gaming Tax	15,000.00	346,133.50	331,133.50	2207.6%	2,393,000.00	2,972,164.68	579,164.68	24.2%
Interest Income	724,000.00	603,460.29	(120,539.71)	-16.6%	1,772,000.00	1,451,025.76	(320,974.24)	-18.1%
Oil Extraction Tax**	1,232,000.00	694,499.50	(537,500.50)	-43.6%	3,567,000.00	2,770,068.21	(796,931.79)	-22.3%
Cigarette & Tobacco Tax	1,899,000.00	1,925,210.80	26,210.80	1.4%	5,538,000.00	5,612,738.61	74,738.61	1.3%
Departmental Collections	1,945,000.00	2,232,045.45	287,045.45	14.8%	10,270,000.00	10,862,684.14	592,684.14	5.8%
Wholesale Liquor Tax	459,332.00	488,157.52	28,825.52	6.3%	1,433,085.00	1,447,601.05	14,516.05	1.0%
Coal Conversion Tax	2,084,000.00	1,968,684.05	(115,315.95)	-5.5%	6,204,000.00	5,700,675.01	(503,324.99)	-8.1%
Mineral Leasing Fees	160,000.00	(117,140.41)	(277,140.41)	-173.2%	960,000.00	648,001.30	(311,998.70)	-32.5%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer			-	0.0%	170,424.00	170,424.00		0.0%
Other Transfers		45.00	45.00	100.0%		62,382.97	62,382.97	100.0%
Total Revenues and Transfers	48,028,332.00	43,284,057.01	(4,744,274.99)	-9.9%	170,718,509.00	168,445,774.34	(2,272,734.66)	-1.3%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
1999-01 BIENNIUM
SEPTEMBER 2001

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	September 1999	September 2001	Variance	Percent	2001	2003	Variance	Percent
Sales Tax	\$ 23,656,365.58	\$ 17,878,655.13	\$ (5,777,710.45)	-24.4%	\$ 73,939,602.86	\$ 71,040,410.64	\$ (2,899,192.22)	-3.9%
Motor Vehicle Excise Tax	5,056,239.38	4,730,794.08	(325,445.30)	-6.4%	14,425,240.37	14,710,647.14	285,406.77	2.0%
Individual Income Tax	10,357,504.53	10,915,040.67	557,536.14	5.4%	41,830,842.35	43,681,004.78	1,850,162.43	4.4%
Corporate Income Tax	7,162,843.30	90,483.05	(7,072,360.25)	-98.7%	10,766,156.41	169,992.47	(10,596,163.94)	-98.4%
Insurance Premium Tax	(2,253,876.54)	659,983.87	2,913,860.41	-129.3%	1,949,336.54	2,191,459.42	242,122.88	12.4%
Financial Insitutions Tax	452,881.00	55,777.00	(397,104.00)	-87.7%	458,295.00	182,548.00	(275,747.00)	-60.2%
Oil & Gas Production Tax	827,830.61	812,227.51	(15,603.10)	-1.9%	3,167,834.02	4,771,946.16	1,604,112.14	50.6%
Gaming Tax	259,732.40	346,133.50	86,401.10	33.3%	2,709,347.47	2,972,164.68	262,817.21	9.7%
Interest Income	543,580.43	603,460.29	59,879.86	11.0%	1,478,629.92	1,451,025.76	(27,604.16)	-1.9%
Oil Extraction Tax	769,784.09	694,499.50	(75,284.59)	-9.8%	2,156,603.58	2,770,068.21	613,464.63	28.4%
Cigarette & Tobacco Tax	2,128,825.92	1,925,210.80	(203,615.12)	-9.6%	6,143,210.89	5,612,738.61	(530,472.28)	-8.6%
Departmental Collections	1,945,942.32	2,232,045.45	286,103.13	14.7%	3,852,929.78	10,862,684.14	7,009,754.36	181.9%
Wholesale Liquor Tax	473,052.81	488,157.52	15,104.71	3.2%	929,381.81	1,447,601.05	518,219.24	55.8%
Coal Severance Tax	918,487.12	0.00	1,050,196.93	114.3%	2,796,773.64		(2,796,773.64)	-100.0%
Coal Conversion Tax	1,031,959.45	1,968,684.05	(1,149,099.86)	-111.4%	2,888,427.44	5,700,675.07	2,812,247.63	97.4%
Mineral Leasing Fees	198,532.99	(117,140.41)	(198,532.99)	-159.0%	688,578.72	648,001.30	(40,577.42)	-5.9%
Bank of North Dakota-Transfer							-	
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					172,576.00	170,424.00	(110,193.03)	-63.9%
Other Transfers	234,968.59	45.00	234,923.59	100.0%	265,041.76	62,382.97	202,658.79	76.5%
Total Revenues and Transfers	53,764,653.98	43,284,057.01	(10,480,596.97)	-19.5%	170,618,808.56	168,445,774.40	(2,173,034.16)	-1.3%

Revenue Variances

Sales tax collections once again fell short of projections. The shortfall in September was \$2.7 million or 13.3 percent. The September revenues were not affected by the terrorist attacks on September 11 because the revenues reported in September were from sales in August. Biennium-to-date sales tax collections are nearly \$1 million or 1.3 percent ahead of projections.

Motor vehicle excise tax collections fell below projections by \$437,206 or 8.5 percent. Biennium-to-date collections are now \$58,353 or 0.4 percent below projections.

Because of the large corporate refunds expected, collections for the first three months of the fiscal year are being deposited into the refund reserve account. Total corporate collections for September were \$8,790,483, of which \$8.7 million was transferred into the refund reserve account, and the

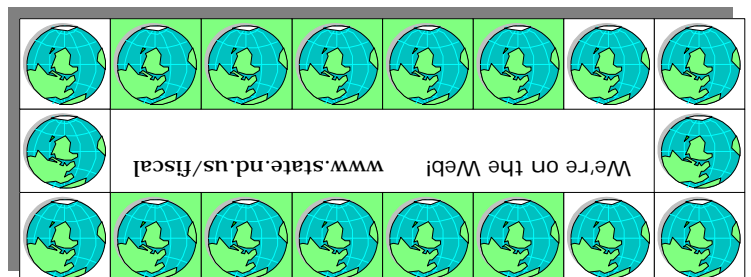
remaining \$90,483 is reported as revenue for the month.

Oil and gas production tax collections for September fell below the monthly forecast by \$1.2 million or 59.8 percent due to both price and production levels falling below projections. Oil extraction tax collections fell below the monthly forecast by \$537,501.

Comments or Questions???

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